NATIONAL BROADBAND PLAN

ExParte in
WC Docket No. 10-90,
GN Docket No. 09-51 and
WC Docket No. 05-337
by

Pioneer Communications,

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and

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National Broadband Plan Proposals

1. Elimination of Rate of Return (ROR) regulation / freeze ICLS Recommendation 8.6 / NPRM Para. 52 to 56.

2. Connect America Fund (CAF):
   - Identification/sizing of funding gap based on theoretical model, (not actual) costs and revenues.
   - Use of presumably "neutral" geographic area.
   - Single Broadband Provider of Last Resort determined based on need for efficient (model or reverse auction) support levels and ability to meet criteria (speed, coverage, etc).
   - Replaces existing USF funds and switched access by 2020.

   Recommendations 8.2 and 8.13

3. Phase out of switched access rates. No mechanism to fully recover lost revenues. Recovery, if any, through the CAF and peering agreements and/or increases to customer rates. Recommendations 8.7, 8.11 and 8.14

Notice of Proposed Rulemaking, Released April 30, 2010, paragraph 53:

“To the extent that any commenter believes that these proposals, or the proposal to cap legacy high-cost support, would negatively affect affordable voice service for consumers today, we would encourage such a commenter to identify all assumptions and to provide data, including information on network investment plans over the next five years and free cash flows, to support that position”

Negative Effects of the Proposal – Analysis Assumptions

1. ICLS revenues (frozen per line) decline due to line losses .

2. Increases in ICLS that would have occurred due to increased investment are lost.

3. Switched access revenues (interstate and intrastate) are eliminated by 2020 with revenue replacement if any from local rate benchmarking and peering arrangements. If unserved, CAF also possible.

4. No new investments - Expected revenue loss and inability to recover cost of investment and pay expenses will likely make obtaining loans for investment impossible.
   - Existing HCLF and LSS revenues decline.

5. All existing USF funding eliminated by 2020.

Negative Effects of the Proposal – Analysis Assumptions

6. No substantive CAF funding to replace revenues losses:
   - No investment gap exists – consumers are served with 12kft DSL.
   - Even if speed (4 down and 1 up) is increased in the future, the model as described, would provide insufficient funding to maintain existing service and provide quality broadband network upgrades.

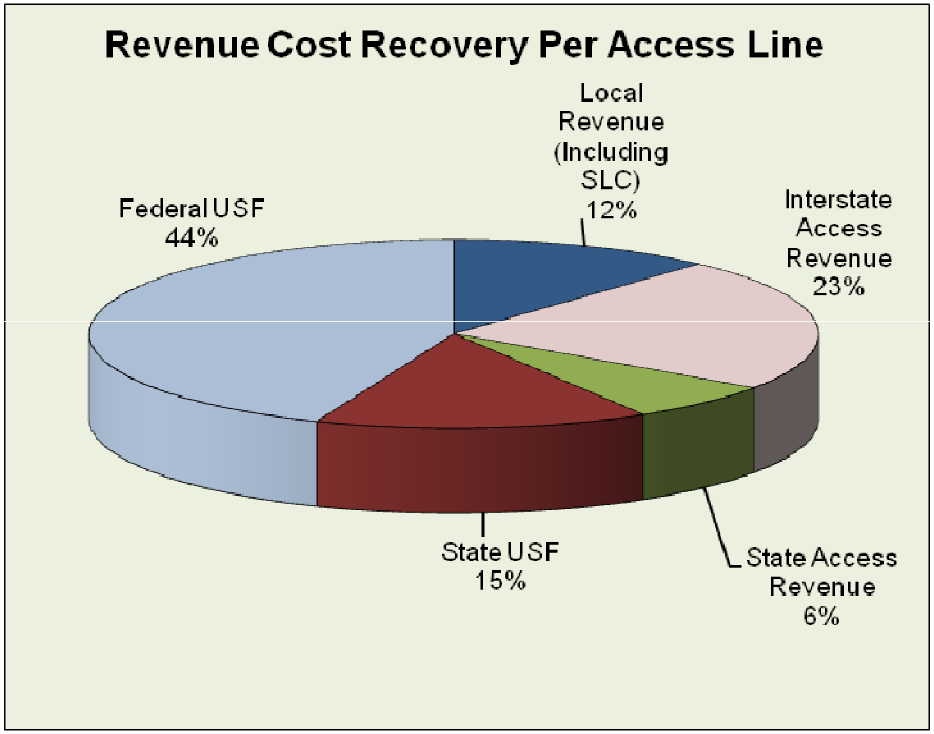
7. Special Access revenue unaffected, However the 3rd quarter 2010 special access NPRM could result in further revenue losses .

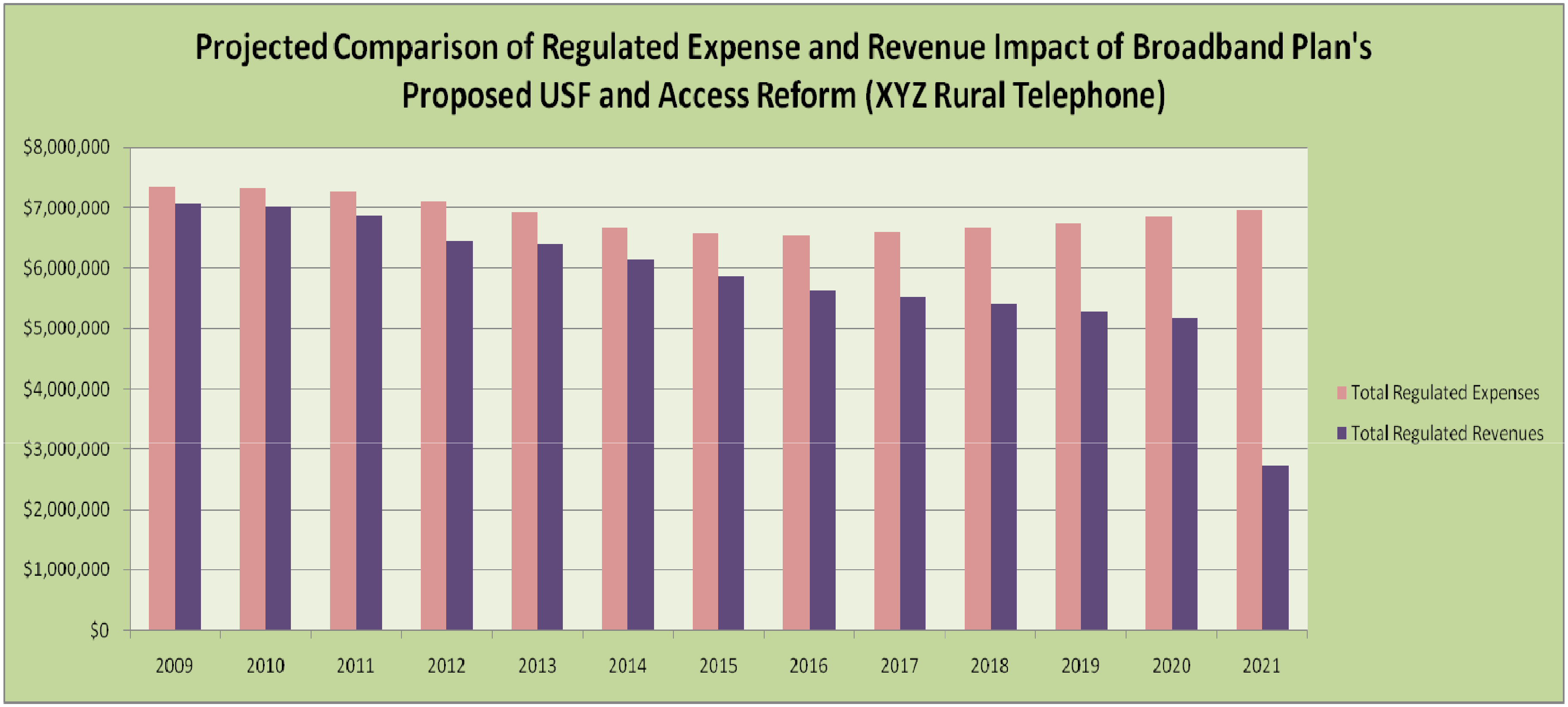
8. State USF unaffected. However, if Rate of Return regulation is eliminated, cost based State funds could be reduced and further revenue losses experienced.

9. Consideration of non-regulated costs and revenues would not materially alter the results of the analysis.

Revenue Cost Recovery Per Access Line for XYZ Rural Incumbent local Exchange Carrier (ILEC)

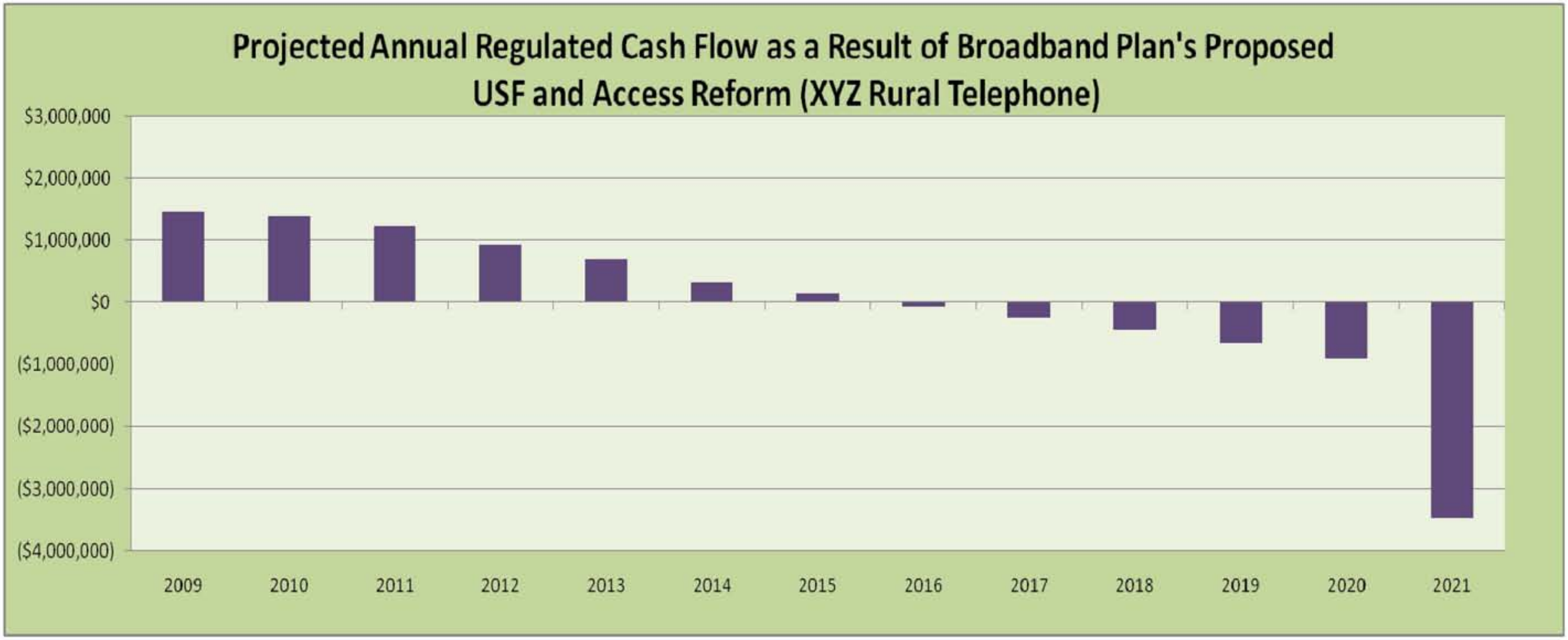
Description	Monthly Revenue Per Access Line	%
Local Revenue (Including SLC)	$23	12%
Interstate Access Revenue	$45	23%
State Access Revenue	$13	6%
State USF	$29	15%
Federal USF	$86	44%
Total	$196	100%





Revenue required to pay salaries, expenses and taxes as well as loan principal and interest reduced by over 60%

Total Regulated Expenses include Income Taxes and Principle Payments on Long Term Debt



Projected Annual Regulated Cash Flow as a Result of Broadband Plan's Proposed USF and Access Reform (XYZ Rural Telephone)
$3,000,000
$2,000,000
$1,000,000
$0
($1,000,000)
($2,000,000)
($3,000,000)
($4,000,000)
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021

Projected Consumer and Community Impact of Broadband Plan's Proposed USF and Access Reform (XYZ Rural Telephone)

Description	Amount:
Jobs Lost by 2021:	
Current Telephone Company Employees:	23
Associated Job Loss (Outside Resources, Legal, Billing, Engineering, Construction, Etc):	6
Impact on Customers:	
Projected Telephone Plant Improvements and Replacement that Would Not Occur Without USF and Access Funding (quality of service declines and likely rate increases):	$10,901,945
Impact on Community:	
Loss of Property Tax (Current Property Taxes)	$370,564
Loss of Utilities (Current Utilities Being Paid)	$153,333
Other Monetary Impacts to the Local Communities:	
Direct Impact	$982,569
Indirect Impact	$1,965,138
Amount of Outstanding Long Term Debt that Cannot be Paid after 2020	$1,766,324

Transparency Is Critical To a Reasoned Decision

<u>The Notice of Inquiry (NOI) states (at paragraph 5):</u>

"To enable all interested parties to review and comment on the model and its inputs, 'all underlying data, formulae, computations, and software must be available,' and all underlying data should be verifiable. To provide transparency and flexibility, the cost model "must include the capability to examine and modify the critical assumptions and engineering principles."

<u>The NOI seeks comments on a model based approach and asks (Para 14):</u>

1. "We specifically seek comment on whether the Commission should use the National Broadband Plan model as the starting point for developing a cost model, or alternatively a cost/revenue model, to use in determining future support for broadband-capable networks that provide voice service.
2. We seek comment on whether the analysis and economic model that Commission staff used to estimate the broadband availability gap in unserved areas provides a useful foundation for calculating the support levels needed for the CAF in a way that minimizes waste, fraud and abuse.
3. We also seek comment on what modifications to the National Broadband Plan model would be required if the CAF is eventually to replace all of the legacy high-cost programs.

However, the Broadband Plan model census block and County data (network, speed, cost and revenue data) is apparently unavailable because it is proprietary – The model results can not, as a consequence, be evaluated.